

## Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor's 2005-07 Budget - New Law

**Agency:** 102 - Dept of Financial Institutions

### Agency Management and Administrative Services

The Administration Division provides administrative and technical services for the Department of Financial Institutions. Activities include policy and legal advice; communications; human resources, financial and budgeting services; and information systems. The activities provide the support and framework to effectively carry out the department's mission.

**Statewide Result Area:** Improve the economic vitality of businesses and individuals

**Category:** Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$2,504,000	\$0	\$2,504,000	28.4	\$2,624,000	\$0	\$2,624,000	28.8

#### Expected Results:

Percentage of employees who express satisfaction with their jobs and maintain Department of Financial Institutions provides a productive climate.

### Chartering, Licensing and Registration

The Department of Financial Institutions evaluates and approves for banks and credit unions: new applications, mergers, conversions, branches, and corporate governance changes. The department also conducts licensing, registration, and exemption activities for the following financial entities and persons: broker dealers, broker dealer representatives, investment advisers, investment adviser representatives, securities issuers, franchises, franchise brokers, business opportunities, escrow agents, escrow officers, mortgage brokers, check cashers and sellers (payday lenders), money transmitters, currency exchangers, and consumer loan companies.

**Statewide Result Area:** Improve the economic vitality of businesses and individuals

**Category:** Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$2,327,000	\$0	\$2,327,000	26.9	\$2,500,000	\$0	\$2,500,000	25.0

#### Expected Results:

**Outcome Measure:** Turnaround time for initial response to applicants for new financial services small business license and registration applications.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
0	0	0	0	10	10

*Average of 10 Business Days Objective: Respond in a timely manner to licensing and registration applications.  
(Department of Financial Institutions, Division of Securities)*

### Education and Public Outreach

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The department conducts consumer education and stakeholder outreach activities and provides technical assistance and regulatory guidance to banks, credit unions, securities and consumer lending industry participants. Activities may include, but are not limited to: presentations, town meetings, press conferences, technical assistance, advisory letters and bulletins, addressing consumer concerns, and all other related activities that provide education and information to assist consumers and other stakeholders.

**Statewide Result Area:** Improve the economic vitality of businesses and individuals

**Category:** Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$847,000	\$0	\$847,000	9.2	\$845,000	\$0	\$845,000	9.2

**Expected Results:**

**Outcome Measure:** Percentage of survey respondents who found the Department of Financial Institution's information useful and relevant for making sound financial decisions.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
0%	0%	0%	0%	90%	90%

*Objective: Increase outreach and education efforts to equip consumers with the tools necessary to make informed financial decisions. New measure for the 2005-07 biennium.*

## Enforcement

The department conducts various types of supervisory, surveillance, and enforcement activities to detect and take corrective action for violations of the regulatory and anti-fraud statutes applicable to financial institutions. Activities include: complaint processing, investigation, and appropriate action against securities issuers and brokers, investment advisers, mortgage brokers, check cashers and sellers (payday lenders), money transmitters, currency exchangers, consumer loan companies and escrow agents; and investigation and appropriate actions against banks and credit unions. Coordination and assistance to other law enforcement agencies and prosecutors, and providing testimony in courts of law are additional activities associated with enforcement.

**Statewide Result Area:** Improve the economic vitality of businesses and individuals

**Category:** Provide consumer protection

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$4,342,000	\$0	\$4,342,000	36.7	\$4,455,000	\$0	\$4,455,000	36.7

**Expected Results:**

**Output Measure:** Number of enforcement actions taken against financial institutions by the Department of Financial Institution's Securities Division

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
109	112	100	90	100	100

*Objective: Increase enforcement of financial institution and consumer protection laws to deter unlawful financial practices that harm consumers.*

**Output Measure:** Number of enforcement actions taken against financial services practioners by the Department of Financial Institution's Consumer Services Division.

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FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
14	20	86	20	50	50

*Objective: Increase enforcement of financial institution and consumer protection laws to deter unlawful financial practices that harm consumers.*

## Examinations

The department performs several types of examinations. The three primary examinations are: (1) Compliance and for-cause examinations of securities broker dealers, mortgage brokers, mortgage broker dealers, investment advisers, escrow agents, escrow officers, debenture companies, check cashers and sellers (payday lenders), consumer loan companies, money transmitters, and currency exchangers; (2) Safety and soundness examinations of banks, credit unions, debenture companies, money transmitters, trust companies, Small Business Association (SBA) lenders, and industrial development corporations; and (3) Information system examinations of banks and credit unions.

**Statewide Result Area:** Improve the economic vitality of businesses and individuals

**Category:** Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$7,615,000	\$0	\$7,615,000	70.3	\$7,984,000	\$0	\$7,984,000	71.8

**Expected Results:**

**Outcome Measure:** Percentage of bank survey respondents rating "Strongly Agree" or "Agree" the Department of Financial Institution's examination report was objective, reflected material issues, and was useful.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
100%	100%	100%	90%	90%	90%

*2501 Division of Banks Objective: Conduct efficient and effective examinations to deliver timely and useful information to agency management and regulated entities.*

**Outcome Measure:** Percentage of banks restored to a satisfactory condition from prior year's unsatisfactory rating.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
0%	0%	0%	0%	30%	30%

*2503 Division of Banks Objective: Return problem institutions to a safe and sound condition.*

**Outcome Measure:** Percentage of Community Reinvestment Act compliance examinations in which the Department of Financial Institutions participates.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
0%	0%	0%	0%	75%	75%

*Objective: Return problem institutions to a safe and sound condition. (Division of Banks)*

**Outcome Measure:** Percentage of credit union survey respondents rating "Strongly Agree" or "Agree" the Department of Financial Institutions examination report was objective, reflected material issues, and was useful.

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FY02 Actual 93%	FY03 Actual 93%	FY04 Actual 96%	FY05 Estimate 90%	FY06 Proposed 90%	FY07 Proposed 90%
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*Objective: Conduct efficient and effective examinations to deliver timely and useful information to agency management and regulated entities. (Division of Credit Unions)*

**Outcome Measure:**    Percentage of credit unions restored to a satisfactory condition from prior year's unsatisfactory rating.

FY02 Actual 0%	FY03 Actual 0%	FY04 Actual 0%	FY05 Estimate 0%	FY06 Proposed 25%	FY07 Proposed 25%
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*Objective: Return problem institutions to a safe and sound condition. (Division of Credit Unions)*

## Compensation Cost Adjustment

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

**Statewide Result Area:**    Improve the ability of State Government to achieve its results efficiently and effectively

**Category:**    Human resources support for government agencies

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$810,000	\$0	\$810,000	0.0	\$1,161,000	\$0	\$1,161,000	0.0